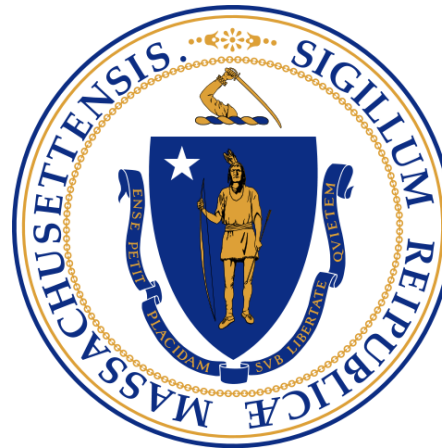


Department of Revenue

The Executive Office for Administration and Finance
Commonwealth of Massachusetts



Performance Report
Fiscal Year 2014

Amy A. Pitter
Commissioner

Introductory Letter from the Commissioner

I am pleased to present the 2014 Performance Report for the Department of Revenue (DOR). This report reviews the progress made by DOR in its efforts to more effectively and efficiently fulfill its stated mission of collecting the revenues required to support the business of the Commonwealth, to make a difference in the lives of children by enforcing the financial responsibilities of parenthood, and to assist Massachusetts cities and towns in sound and efficient fiscal management.

Our vision is to conduct operations in a manner that inspires public confidence in government by administering and enforcing tax, child support and municipal finance laws in ways that are innovative, customer-focused and transparent. To do that, we will have processes that put the customer at the center of the transaction, are secure, simple to navigate, and are built on a workforce and technologies that are considered outstanding by any standard in the public or private sectors.

This has been an exciting and transformative year at the DOR, driven by a number of new initiatives, technology advancements and workforce change. Through DOR 360, we continue to expand our outreach to our stakeholders to better determine how we can serve our community, and continually work to improve our operations focusing on productivity, customer service, stakeholder engagement and workforce training and development.

We are well underway on projects to replace our core Tax Administration and Child Support systems which will provide tremendous opportunity to improve both the efficiency and the effectiveness of our operations. We are working to increase voluntary compliance through better access to information by rewriting our notices in plain language and creating simple easy to use information on the website. We have changed our dispute resolution processes to make them faster, more transparent and more in line with taxpayer's business cycles and need for certainty. We are responding to changes in our workforce as our more experienced employees begin to retire by investing in a new generation of employees through our diversity and professional development efforts.

I continue to be proud of the work we do at DOR and trust that you will find this performance report to be informative and useful.

Thank you,

Amy A. Pitter
Commissioner, Department of Revenue

As an agency within the Executive Office of Administration and Finance, the Department of Revenue's goals reflect and bolster the commitments of A&F to bring about Better Finance, Better Health Care, Better Performance and Better Government.

This report was developed pursuant to Executive Order 540, Governor Patrick's directive to embed strategic planning and performance management across state government. The Department of Revenue's FY14 Performance Report describes progress achieved against the goals set out in its 2013-2015 Strategic Plan.

Please send feedback regarding this plan to: reynoldsj@dor.state.ma.us

DOR Goals:

- Modernize the information technology infrastructure supporting tax and child support operations by successfully implementing the GeniSys and COMETS HD projects. Both projects underpin DOR's efforts to improve performance and customer service.
- Create a culture and processes that support communication, collaboration and co-design with a broad range of stakeholders.
- Increase diversity at all levels and build an appropriately skilled workforce.
- Take a proactive approach to improve performance, effectiveness and efficiency across the agency
- Provide easy access to quality customer service.

To meet our goals the DOR has worked hard to deliver positive results and further the priorities of the Administration. We have enhanced customer service delivery, worked more closely with our partners, introduced new ways to combat fraud, waste and abuse and effectively leveraged technology to improve operations. Our accomplishments are wide-ranging, reflecting the many facets of our agency's mission including;



- **GeniSys** - Task Order One for our new tax system went live on November 10, 2014.
- **COMETS HD** - Implementation is well underway on a secure, user-friendly, integrated child support system.
- **Dispute Resolution** - We have created new dispute resolution processes including a ground breaking mediation program to address taxpayer disputes in a manner that is faster, more collaborative, and more in keeping with taxpayer's needs for certainty around their obligations.
- **Education** - We have improved the presentation of Directives and other written public statements to make them more accessible and convenient for taxpayers, we have launched a plain talk initiative to make our notices more understandable and we have begun to simplify and better organize the information on our website.

- **Fraud/Identity Theft** - we prevented over \$25 million in fraudulent refunds from being refunded.
- **DOR 360** - has successfully created an open environment providing information on agency happenings, asking for stakeholder opinions and acting on the feedback provided.
- **Bunker Hill Community College (BHCC) Partnership** - BHCC, in partnership with DOR, developed a new taxation certificate program. In 2014, a total of nine students completed the taxation certificate and internship programs.
- **Child Support Enforcement Division (CSE)** - continues to work to maximize federal incentives by improving performance in targeted areas.
- **Division of Local Services (DLS)** - continues to meet its goals of expanding its training and research tools to local communities and by timely certifying tax rates and distributing local aid.
- **Impact of Combined Reporting** - As anticipated, the adoption of combined reporting has eliminated a number of corporate audit issues resulting in a reduction in large dollar intercompany transaction related audits. Audit is using this increased capacity coupled with better use of data to focus more on other corporate issues, combatting fraud and getting better coverage in sales and meals taxes.


The following dashboard details the targets, measures and performance of the agency during fiscal year 2014. It is not intended to be a comprehensive report on every accomplishment, but rather to illustrate different ways that the agency has made progress toward realizing the goals established in the DOR's 2013-2015 Strategic Plan.




Performance Dashboard

Modernize I.T. by keeping MASSTAX 2 and COMETS HD on the path to successful completion





Measures	Prior Period	Previous Period	Current Period	Trend	Target	Status	Comments
PMO's assessment of COMETS HD Key Performance Indicators (KPIs)	Green	2.15 - Yellow	1.8 - Yellow	Stable	<1.67		Data compares FY12, FY13 and FY14. Based on 7 KPIs created and tracked by the Program Management Office. Each is weighted and scored to produce an overall program rating: 1 – on track (green); 2 – Issues related to scope, costs off schedule have arisen (yellow); and, 3 – significantly off track (red).
PMO's assessment of GeniSys Implementation Plan Performance	NA	NA	1.3 - Green	Stable	1		Status as of 6/30/14. The GenTax® agreement was signed with Fast Enterprises in January 2014 - measurements commenced shortly after implementation launch.

Create a culture and processes that support communication, collaboration and co-design with a broad range of stakeholders


Measures	Prior Period	Previous Period	Current Period	Trend	Target	Status	Comments
Percentage of taxpayers who view DOR as meeting its mission of enforcement of the tax laws as well as its vision of conducting business in ways that are innovative, customer-focused and transparent	NA	NA	84%	Stable	80%		FY14 data collected from Audit and Appeals surveys. No prior data available.




STATUS LEGEND		=> Target		=> 75% to <99%		< 75% of Target	NA	Not Applicable
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Increase diversity at all levels and build an appropriately skilled workforce


Measures	Prior Period	Previous Period	Current Period	Trend	Target	Status	Comments
Percentage of workforce members who represent minority and other historically under-represented demographic groups: Minority	19%	19%	20%	Improving	21%		Data compares FY12, FY13 and FY14. Targets updated using 2010 census data. Effective FY14, the minority threshold was adjusted from 10.4% to 20.7% based on the 2010 census data. The metrics formerly used for minorities, 10.4%, was based on the 2000 US census.
Percentage of workforce members who represent minority and other historically under-represented demographic groups: Women	55%	55%	55%	Stable	49%		Data compares FY12, FY13 and FY14. Targets updated using 2010 census data.
Percentage of workforce members who represent minority and other historically under-represented demographic groups: Vietnam Era	1%	1%	1%	Stable	4%		Data compares FY12, FY13 and FY14. Targets updated using 2010 census data.
Percentage of workforce members who represent minority and other historically under-represented demographic groups: Persons with Disabilities	6%	7%	6%	Stable	12%		Data compares FY12, FY13 and FY14. Targets updated using 2010 census data.

Take a proactive approach to improve performance, effectiveness and efficiency across the agency




Measures	Prior Period	Previous Period	Current Period	Trend	Target	Status	Comments
Percentage of workforce whose performance is being actively managed for improvement	0%	1%	1%	Stable	Increase		Data compares FY12, FY13 and FY14.

STATUS LEGEND		=> Target		=> 75% to <99%		< 75% of Target	NA	Not Applicable
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Provide easy access to quality customer service




Measures	Prior Period	Previous Period	Current Period	Trend	Target	Status	Comments
Percentage of taxpayers reporting a favorable customer service experience	NA	NA	94%	Stable	90%		New survey launched September 2013. The date range for the current period is September 2013 through June 2014.

Improve efficiency and effectiveness of enforcement operations


Measures	Prior Period	Previous Period	Current Period	Trend	Target	Status	Comments
Dollar amount of tax refund fraud prevented	\$19,900,000	\$23,900,000	\$12,600,000	Improving	\$25,000,000		Data compares CY12, CY13 and the first 6 months of CY14. Refund fraud is tracked on a calendar year basis. The DOR is on track to meet/surpass the \$25m Target for the CY14.
Dollar amount assessed per audit hour	\$1,380	\$1,260	\$1,052	Worsening	\$1,200		Data compares FY12, FY13 and FY14. Excludes Audit cases of more than \$5m. Adoption of combined reporting and a surge of auditor retirements adversely effected this measure last year.
Dollar amount collected per tax collector hour	\$1,862	\$1,889	\$2,188	Improving	\$1,900		Data compares FY12, FY13 and FY14. Target of \$1,900 per hour for FY14

Provide clear, timely and relevant guidance to taxpayers






Measures	Prior Period	Previous Period	Current Period	Trend	Target	Status	Comments
Percentage of taxpayers who believe they have had adequate guidance from the department	NA	NA	73%	Stable	80%		Survey launched in July 2013, results for FY14.
Accuracy of CSR responses	NA	95%	94%	Stable	91%		Data compares FY13 and FY14. Results based on supervisory samples of examiners work.




STATUS LEGEND		=> Target		=> 75% to <99%		< 75% of Target	NA	Not Applicable
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Resolve disputes through processes that are effective, fair, and easy to navigate








Measures	Prior Period	Previous Period	Current Period	Trend	Target	Status	Comments
Percentage of taxpayers who have accessed dispute resolution processes who have found them to be effective, fair, and easy to navigate	NA	67%	72%	Improving	80%		Data compares FY13 and FY14.

Maximize federal reimbursements and performance by achieving or maintain compliance with the "Fed 5" performance measures


Measures	Prior Period	Previous Period	Current Period	Trend	Target	Status	Comments
Title IV-D Paternity Establishment Percentage	91%	95%	92%	Stable	90%		Data compares Federal FY12, Federal FY13 and Federal FY14.
Title IV-D Child Support Order Establishment Percentage	84%	85%	86%	Improving	84%		Data compares Federal FY12, Federal FY13 and Federal FY14.
Title IV-D Current Child Support Collections Performance Level	69%	69%	69%	Stable	70%		Data compares Federal FY12, Federal FY13 and Federal FY14.
Title IV-D Arrearage Child Support Collections Performance Level	59%	60%	60%	Improving	60%		Data compares Federal FY12, Federal FY13 and Federal FY14.
Title IV-D Child Support Collection Cost Effectiveness	\$5.88	\$5.64	\$5.40	Worsening	\$5.50		Data compares Federal FY12, Federal FY13 and Federal FY14.




STATUS LEGEND		=> Target		=> 75% to <99%		< 75% of Target	NA	Not Applicable
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Provide technical assistance, training and oversight to assist Massachusetts cities and town in the achievement of sound and efficient fiscal management

Measures	Prior Period	Previous Period	Current Period	Trend	Target	Status	Comments
Number of communities that have their tax rates and property values set by calendar year end 2013	NA	335	338	Improving	1		Data compares CY 11, CY 12 and CY 13. Of the 351 Massachusetts communities, 13 did not finish work required to either set a tax rate or certify their property values. DOR set tax rates and property values for 100% of communities that completed the necessary requirements.
Number of participants in DLS instructional sessions	NA	5,500	5,872	Improving	5,500		Data compares FY13 and FY14.
Number of towns using sustainable cloud-based technology solutions for smaller communities	1	1	7	Improving	7		Data compares FY12, FY13 and FY14.
Number of subscribers to City and Town	6,500	8,400	8,364	Stable	8,800		Data compares FY12, FY13 and FY14.
Number of communities that have local aid distributed in a timely manner (a monthly basis)	351	351	351	Stable	351		Data compares FY12, FY13 and FY14. Data is reported on a monthly basis as of FY14.
Number of new reporting tools added to the Municipal Data Bank	NA	27	11	Worsening	13		Data compares FY13 and FY14.
Number of new search tools in the DLS legal library	NA	NA	5	Improving	5		Current data is FY14. New tools added FY14.
Number of new Gateway features	NA	7	10	Improving	5		Data compares FY13 and FY14. New Features added FY14 vs. FY13.

Provide financial support to families by collecting and distributing child support and make a difference in the lives of children.

Measures	Prior Period	Previous Period	Current Period	Trend	Target	Status	Comments
Child Support Enforcement Bureau Net Collections	\$642,700,000	\$644,500,000	\$657,300,000	Improving	\$660,000,000		Data compares FY12, FY13 and FY14.

STATUS LEGEND		=> Target		=> 75% to <99%		< 75% of Target	NA	Not Applicable
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DOR is proud of the many successes we have achieved in recent years. As we continue to work to deliver positive results and execute our mission, we know we will be up against a number of challenges including an aging workforce, implementing two new core systems and the continued battle with fraud and identity theft. We view these challenges as an opportunity to strengthen our operations and further improve the way we do business.

Aging Workforce

DOR is acutely affected by a trend that is impacting many government agencies (as well as private industry), which is the aging and imminent retirement of the baby boomers. At DOR we expect to lose an estimated 500 of our most senior, experienced and knowledgeable employees over the next 5 years. To meet this challenge, we have been proactive in developing an Emerging Leaders Program, partnering with Bunker Hill Community College to create a certified tax program, and have enhanced internal training to develop and integrate new employees within the DOR.

Implementation of New Technology

Much of our focus over the next few years will be on the implementation of our two new core systems GeniSys and COMETS HD. Based on Fast Enterprises' GenTax® software, GeniSys is an integrated tax processing software package designed to enhance taxpayer services and improve efficiencies in revenue collection. The GeniSys implementation is broken down into five task orders which will be carried out over the next four years. The COMETS HD project will enable CSE to move from its current mainframe system to an enhanced, integrated child support system that will support improved performance and better service delivery for families. The COMETS HD program is planned to be fully implemented during FY 2016. While ultimately these systems will provide enormous opportunity for the agency, in the short run, these developments put a strain on both our business and technical resources that are needed for normal operations.

Fraud/Identity Theft

Fraud and identity theft are growing problems worldwide. The Inspector General estimates that the IRS will issue over \$21 billion in fraudulent refunds over the next 5 years. We are continually looking at new and creative ways to stay ahead of the curve. Last year, using a series of business rules-based filters, we were able to stop over \$20 million in fraudulent refunds from going out the door. But those trying to perpetrate fraud on the public do not rest, and neither can we. We are looking at complementing our rules-based fraud filters with predictive models and risk scoring to create a more comprehensive defense system.

Measure Descriptions

GOAL	MEASURE	DESCRIPTION
Modernize I.T. by keeping MASSTAX 2 and COMETS HD on the path to successful completion	PMO's assessment of COMETS HD KPIs	This measure tracks PMO's assessment of the COMETS HD KPIs. Performance measurements are based on seven Key Performance Indicators (KPIs) created and tracked by the Program Management Office (PMO). Each of the KPIs is weighted and scored to produce an overall program rating: 1 – program is on track (green); 2 – Issues related to scope, costs, or schedule have arisen (yellow); and, 3 – the program is significantly off track (red). The results of the KPIs are rounded to the nearest number and the appropriate color is designated. Aggregate scores of 1.00 – 1.67 are considered green; scores of 1.68 – 2.33 are considered yellow; scores of 2.34 – 3.00 are considered red. The target is to achieve a green rating.
	PMO's assessment of GeniSys Implementation Plan Performance	This measure tracks the ongoing assessment of the GeniSys implementation based on the project's overall Plan Performance (Planned Tasks vs. Actual Completed). A rating of: 1 – Program is on track (green); 2 – Issues related to scope, costs of schedule have arisen (yellow); and, 3 – the program is significantly off track (red). The results of the assessments are rounded to the nearest number and the appropriate color is designated. The target is to achieve a green rating.
Create a culture and processes that support communication, collaboration and co-design with a broad range of stakeholders	Percentage of taxpayers who view DOR as meeting its mission of enforcement of the tax laws as well as its vision of conducting business in ways that are innovative, customer-focused and transparent	This measure tracks responses to ongoing surveys relative to the Audit and Appeals processes combining 3 questions related to customer service and four questions related to transparency. The result is a weighted average based on number of respondents. Abatement and website survey results will also be incorporated into this reporting when available.
Increase diversity at all levels and build an appropriately skilled workforce	Percentage of workforce members who represent minority and other historically under-represented demographic groups-- Minorities	This measure tracks data provided by Office of Diversity and Equal Opportunity related to workforce diversity. Effective the 1st quarter for FY14, the minority threshold will be adjusted from 10.4% to 20.7% based on the 2010 census data. The target formerly used for minorities, 10.4%, was based on the 2000 US census.
	Percentage of workforce members who represent minority and other historically under-represented demographic groups-- Women	This measure tracks data provided by Office of Diversity and Equal Opportunity related to workforce diversity. Effective the 1st quarter for FY14, the women threshold was adjusted from 48.2% to 48.8% based on the 2010 census data. The target formerly used was based on the 2000 US census.

Increase diversity at all levels and build an appropriately skilled workforce	Percentage of workforce members who represent minority and other historically under-represented demographic groups-- Vietnam Era Veterans	This measure tracks data provided by Office of Diversity and Equal Opportunity related to workforce diversity. Metric targets based on the 2010 US census.
	Percentage of workforce members who represent minority and other historically under-represented demographic groups-- Persons with Disabilities	This measure tracks data provided by Office of Diversity and Equal Opportunity related to workforce diversity. Metric targets based on the 2010 US census.
Take a proactive approach to improve performance, effectiveness and efficiency across the agency	Percentage of workforce whose performance is being actively managed for improvement	This measure tracks the percentage of employees with a Remedial Development Plans (RDPs). The DOR is making the use of RDPs a point of emphasis and expects this number to increase in the short term; over the long term, the number of RDPs should drop while other performance metrics should show some level of improvement as employees receive the training they need; no specific target has been identified at this time other than an annual increase.
Provide easy access to quality customer service	Percentage of taxpayers reporting a favorable customer service experience	This measure tracks the percentage of Interactive Voice Response (IVR) surveys of taxpayers to determine their satisfaction and customer experience. The survey launched in September 2013.
Improve efficiency and effectiveness of enforcement operations	Dollar amount assessed per audit hour	This measure tracks the amount of tax revenue that tax auditors obtain through audit practices and helps to assess the effectiveness and efficiency of tax enforcement operations. Figures exclude cases over \$5 million
	Dollar amount of tax refund fraud prevented	This measure tracks the dollar value of fraud prevented by the Department of Revenue through the identification and rejection of fraudulent tax returns.
	Dollar amount collected per tax collector hour	This measure tracks the amount of tax revenue that tax collectors obtain per hour worked and helps to assess the effectiveness and efficiency of tax enforcement operations.
Provide clear, timely and relevant guidance to taxpayers	Percentage of taxpayers who believe they have had adequate guidance from the department	This measure tracks the percentage of taxpayers who believe they have had adequate guidance from the department. DOR initiated a survey in late 2013 asking 27 questions about the department's legal guidance. Results reflect responses to the question: Please tell us about your experience with DOR's tax guidance. Results from a planned website survey will also be incorporated into this reporting when available.
	Accuracy of CSR responses	This measure tracks the accuracy and quality of response given by the Customer Service Bureau. Supervisors and Managers conduct a random sampling of responses provided by their direct reports.

Resolve disputes through processes that are effective, fair, and easy to navigate	Percentage of taxpayers who have accessed dispute resolution processes who have found them to be effective, fair, and easy to navigate	This measure tracks taxpayer responses to a survey sent on all closed Office of Appeals cases to assess the dispute resolution process. Results compiled from responses to the following questions: Did the Appeals Officer clearly explain the appeals process to you? How respectfully were you treated throughout the appeals process? Was your appeal concluded in a reasonable period of time? Please tell us how satisfied you were overall with the appeals process. A target will be developed once a greater number of responses are collected and a baseline has been created.
Maximize federal reimbursements and performance by achieving or maintain compliance with the "Fed 5" performance measures	Title IV-D Child Support Order Establishment Percentage	This measure tracks, for children in the Title IV-D caseload, the number of children with child support orders divided by the total number of children. Title IV-D of the federal Social Security Act requires that the Commonwealth attempt to gain child support orders for children in needy families receiving aid from certain federal block grants administered by the Commonwealth.
	Title IV-D Current Child Support Collections Performance Level	This measure tracks, for children in the Title IV-D caseload, the total current child support dollars collected divided by the total dollars owed for current child support. Title IV-D of the federal Social Security Act requires that the Commonwealth enforce collection of child support orders for children in needy families receiving aid from certain federal block grants administered by the Commonwealth.
	Title IV-D Arrearage Child Support Collections Performance Level	This measure tracks, for children in the Title IV-D caseload, the total child support dollars paid toward arrears divided by the total dollars owed for support in arrears. Title IV-D of the federal Social Security Act requires that the Commonwealth enforce collection of child support orders for children in needy families receiving aid from certain federal block grants administered by the Commonwealth.
	Title IV-D Child Support Collection Cost Effectiveness	This measure tracks the total child support dollars collected in the Title IV-D caseload divided by the total Title IV-D expenditures. Title IV-D of the federal Social Security Act requires that the Commonwealth establish paternity and obtain/enforce child support orders for children in needy families receiving aid from certain federal block grants administered by the Commonwealth.
Provide technical assistance, training and oversight to assist Massachusetts cities and town in the achievement of sound and efficient fiscal management	Number of participants in DLS instructional sessions	This measure tracks the number of participants in DLS instructional classes. DLS responsibilities and deliverables are dictated by the calendar. During the second quarter, DLS staff is primarily working to review property taxes and property values in each of the Commonwealth's 351 taxing communities - ensuring local property tax bills are issued on time. While the numbers may appear to be in decline, DLS instructional sessions are projected to meet the established target.

Provide technical assistance, training and oversight to assist Massachusetts cities and town in the achievement of sound and efficient fiscal management	Number of towns using sustainable cloud-based technology solutions for smaller communities	This measure tracks the number of towns using cloud-based solutions. DLS IT has partnered with the Community Software Consortium to support smaller communities migrate their Tax Administration systems to a more cost effective cloud based solution.
	Number of subscribers to City and Town	This measure tracks the overall number of subscribers to City and Town - an email publication designed to address matters of interest to local officials. DLS adds subscribers thru presentations, training sessions and other activities during the course of the FY.
	Number of communities that have their tax rates and property values set by calendar year end 2013	This measure tracks the number of communities that have their tax rates and property values set by calendar year. Property rates are set every three years, meaning approximately 1/3 of the Commonwealth's cities and towns are resetting their property values on an annual basis. However, DLS is required to certify all 351 cities and towns every year.
	Number of communities that have local aid distributed in a timely manner (a monthly basis)	This measure tracks the local aid distributed monthly. Local aid distribution is provided monthly (as opposed to quarterly) starting FY14 as the result of recently enacted legislation.
	Number of new reporting tools added to the Municipal Data Bank	This measure tracks the number of new reporting tools added to the Municipal Data Bank which will collect, analyze and distribute financial, demographic and economic data on Massachusetts cities and towns.
	Number of new search tools in the DLS legal library	This measure tracks the number of new search tools in the DLS legal library The DLS legal library can be found on the DOR website and contains all the latest legal changes impacting taxpayers.
	Number of new Gateway features	This measure tracks the number of new Gateway features. Gateway is the portal by which city and town officials can conduct business with DLS. Work is underway on four new Gateway features.
Provide financial support to families by collecting and distributing Child Support and make a difference in the lives of Children.	Child Support Enforcement Bureau Net Collections	This measure tracks dollars collected by the Child Support Enforcement Bureau excluding refund and other adjustments. The measure is tracked based on the State Fiscal Year.

Noteworthy Changes, Additions or Deletions

GOAL	MEASURE	CHANGE, ADDITION OR DELETION EXPLANATION
Provide financial support to families by collecting and distributing Child Support and make a difference in the lives of Children	Child Support Enforcement Bureau Net Collections	Addition
Provide easy access to quality customer service	Percent of customer inquiries that are resolved through self-service or at first point of contact	Deletion: DOR is not able to obtain the data for this measure